

ALLTERCO

INDUSTRY: TELECOMMUNICATION SERVICES AND IT

GROWTH IN TRANSFORMATION

MOBILE VALUE ADDED SERVICES PROVIDER ALLTERCO LAUNCHES AN IPO IN SOFIA TO FUND NEW INTERNET OF THINGS BUSINESS LINE. THE COMPANY TAPS ON EXCELLENT TELECOM RELATIONSHIPS TO GROW THE LINE WHICH ALREADY OUTPERFORMS INITIAL EXPECTATIONS. IOT TO BRING LONG TERM GROWTH WHILE TRADITIONAL OPERATIONS TO REMAIN VOLATILE

NICHE MOBILE VALUE ADDED SERVICE PROVIDER

Allterco is a niche mobile value added services (MVAS) provider present in 7 countries on 3 continents with major operations in Bulgaria and the Balkans as well as Singapore and South East Asia. Operations in the US delivering 10%+ of the Group's top line, currently. The Company provides full range technical connectivity, mobile marketing and notifications services with a broad range of customers from telecom to finance, content and e-commerce providers.

MOBILE VALUE ADDED SERVICES GROWTH DECELERATING

Allterco's top line growth stagnated with 2.5% CAGR over the past three comparable years, with the last two turning negative. Margins slashed from higher single digits operating margins to lower single digits. Key reasons for the latter are continuous telecommunication regulatory changes both in Europe and South East Asia, stagnating telecom sector and volatile sales expenses as the Company works to tap on new growth opportunities.

2016 MAJOR TURNAROUND WITH INTERNET OF THINGS PIVOT

Allterco underwent a major restructuring at the end of 2015 and did a considerable operations pivot. It entered the Internet of Things (IoT) market by developing wearables and home automation devices. First product on the market, kids smart watch MiKy, already outperforming initial management expectations.

GUARANTEED SALES CHANNEL FOR IoT OPERATIONS

To grow its IoT business, Allterco taps on the excellent sales relations it has with telecoms. The latter to be the key sales channel for Allterco's connected devices. Equipped with a SIM card, the kids' smart watch MyKi is already marketed by two of the three telecoms in Bulgaria with sales picking up in spring and late summer of 2016. Based on management guidance, the watch sales are already past FY2016 expectations.

IPO IN SOFIA TO FUND IoT EXPANSION

To fund further IoT operations development, Allterco launched an IPO in Sofia at the end of September 2016. It offers 1.5 million new shares at a price range of BGN 1.10 – 2.20 per share. Subscription ends October 19th, 2016 with smaller IPO size entailing mostly retail investors' interest. With a free float of c.10% the latter to be key liquidity driver post the offering.

VALUATION/RISKS

VALUATION: Pre-IPO we refrain from posting a rating on the stock. However, we do estimate an intrinsic value for the Company at BGN 1.31 per share based on a SoTP valuation of its two major business lines - MVAS and IoT. We arrive at this value based on management top line guidance and comparable market transactions. Any +/-10% stray from those estimates lead to +/- BGN 0.15 change in value per share. **RISKS:** Fierce competition in IoT by both big IT companies like Apple and Samsung as well by numerous Chinese tech producers; Volatile MVAS market with continuous regulatory changes

in kBGN, excl	2013	2014	2015	H1 2016
Revenues	30 646	28 272	28 279	14 958
EBITDA	2 535	2 624	1 227	325
Net profit	1 525	1 711	715	74
EBITDA margin	8.27%	9.28%	4.34%	2.17%
Profit Margin	4.98%	6.05%	2.53%	0.49%
Book Value	9 115	9 523	19 570	19 799
Total Assets	19 316	21 159	34 207	30 316
ROE	16.73%	17.97%	3.65%	0.37%
ROA	7.90%	8.09%	2.09%	0.24%
EPS	0.28	0.312	0.075	0.008

NOT RATED
INTRINSIC VALUE: BGN 1.31

EXCHANGE RATES

EUR/BGN (FIXED): 1.95583
USD/BGN: 1.77191

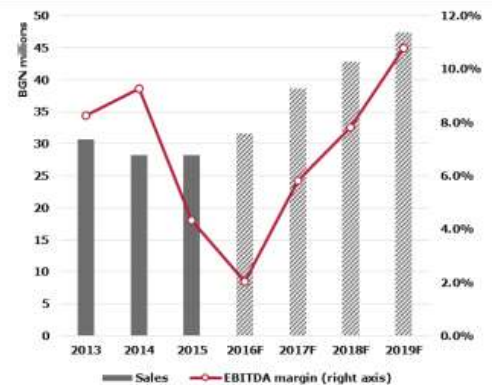
KEY DATA

Shares Outstanding: **13.5m**
 Share Capital **BGN 13.5m**
 Free float **n/a**

IPO offering **1.5 m new shares**
 Green shoe **No**
 Lock up **No**
 IPO price range **BGN 1.10 -2.20**
 Allocation method **SKK BU**

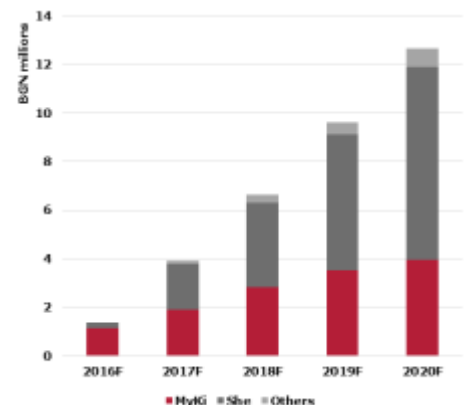
IPO time frame **1 month**
 Subscription start **Sept 20th, 2016**
 Subscription end **Oct. 19th, 2016**
 Est. Secondary Trading Start **Nov. 28th, 2016**

TOP LINE BOUND TO IoT GROWTH...



Source: Company Data and estimates

... WITH IoT TOP LINE SHARE TO REACH 25%



Source: Company Data and estimates

EXECUTIVE SUMMARY

THE COMPANY

Allterco (the Company, the Group, the Holding) is among the leading mobile value added service providers in Bulgaria. The Company was established as a ring tone and mobile games provider 15 years ago, but pivoted into mobile value added services (MVAS) like tech connectivity and micropayments via the phone.

Currently, the Group operates on three continents – Europe, Asia and North America, with key operations in Bulgaria and growing presence in South East Asian countries like Singapore and Malaysia. The Group is also present in the Balkans – Serbia, Kosovo, Romania, Albania and Macedonia, as well as the US, with the latter delivering 12% of 2015 revenues.

Allterco provides technical connectivity (premium voice numbers), micropayments (pay via SMS) and mobile marketing and notifications (SMS notifications and promotions). It has a diversified client base of over 20 telecoms, almost all banks in Bulgaria, many entertainment and e-commerce providers, charity NGOs, retailers, etc.

Recently, Allterco expanded into connected devices in the Internet of Things (IoT) market by developing a kid's smart watch **MiKy**. The watch is already on the market, sold by two of the three big telecoms in Bulgaria and shortly to hit other markets on the Balkans. The Company plans to develop numerous wearables and home automation devices to be sold via telecoms to tap on its excellent partnership with the latter. Telecoms take all advertising and product placement costs as they struggle to keep customers while Allterco to take care of product design and production.

The next product to shortly hit the market is a home automation system - **She**, which provides an integrated temperature, light, humidity and air purity automation controller for the home. The product pipeline includes also pet and elderly people wearables as well as car tracking devices.

Revenue wise, on average 75% of the Group's revenues so far were generated from tech connectivity and micropayments via SMS technologies (e.g. city parking). The other 25% come from mobile marketing and notifications (e.g. sms notification from banks on upcoming bank product changes or payments). The latter structure, however, is expected to change as IoT operations gain momentum 2016 onwards. The Company already announced the segment is performing above expectations with kid's watch MyKi sales above expectations.

Almost half of the Group's top line so far came from Bulgaria with key clients being all local telecoms and banks, e-commerce and entertainment providers. Other key markets are Singapore and Malaysia as well as Romania and the US. However, the ongoing telecommunications regulations limits the Group's MVAS operations performance predictability as the telecom industry's growth is decelerating and struggling for new ways to increase average revenue per user.

Profit wise, Allterco's MVAS services are bound to deliver single digits operating margins as these are services the telecoms no longer consider profitable and prefer to outsource. Accordingly, the Group's EBITDA margin has averaged 7% over the last three comparable years while net income averaged 5%.

IPO: Allterco initiated an initial public offering in Sofia to fund IoT operations expansion. The latter to be the Company's key focus and growth driver. The Company offers 1.5 million new shares at a price range of BGN 1.1-2.2 per share thus, aiming to attract between BGN 1.65m and BGN 3.3m. The Company will use the proceeds to expand its IoT team as well as production capacity (70%) and to tap new growth markets in Latin America (20%) and position itself on international fairs (10%).

THE COUNTRY AND THE MARKET

The country is under a currency board and the Bulgarian lev is pegged to the Euro at BGN 1.95583. Steps to enter the Eurozone to be expected in the mid-term as the country meets all quantitative criteria.

The Bulgarian economy has positively surprised with a 3% y/y GDP growth in Q2 2016 on domestic consumption expansion, higher government spending and continuous exports growth. Nevertheless, we remain cautious as the current government still needs to undertake major structural reforms to unlock faster economic growth.

The telecommunications sectors demonstrates decelerating single digits growth trends as telecoms fight for every customer and are looking for creative ways to find new sales points/channels. The Internet of Things industry, on the other hand, offers plenty of room for expansion as wearables and home automation solutions are yet to enter every life and home. Connected devices are expected to triple by 2020 or 15-20% CAGR.

SOME RISKS

Decelerating and negative growth trends in the general telecom sector;

Fierce competition both on cheap Chinese solutions as well as major efforts in the IoT of giants like Apple, Samsung, etc.

Lesser selling position for some of the home automation solutions via telecoms;

Continuous regulatory changes in the telecommunication industry as well as considerable competition to keep mobile value added services performance volatile.

COMPANY OVERVIEW

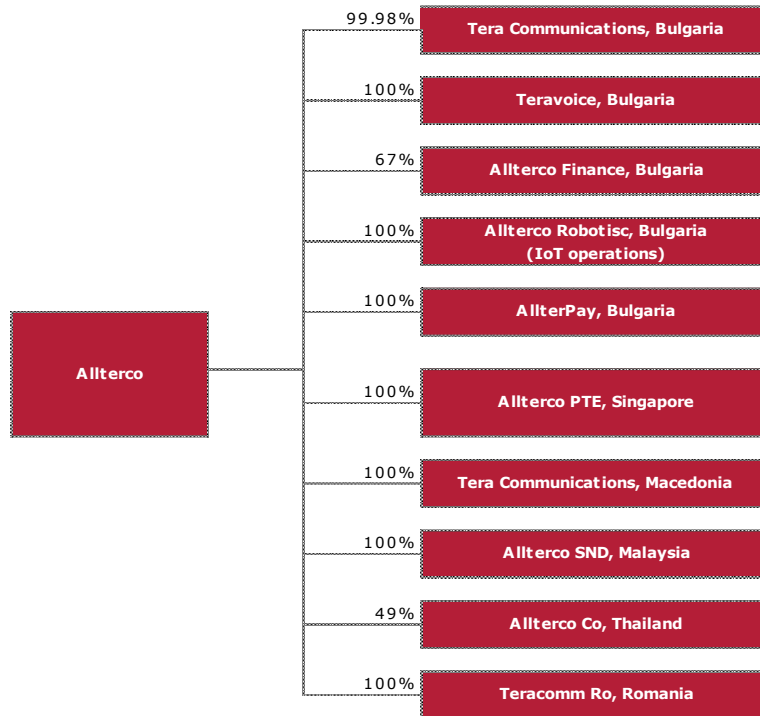
Allterco was incorporated in 2010 but the Company’s origin dates back to 2001. Its founders started by selling ringtone and mobile wallpapers, even published a mobile phone magazine.

Positioned in the MVAS since 2010

Currently, the Group operates via 11 subsidiaries in all its key markets, including one in the US (not shown on the diagram below). The latter structure became operational after a major Holding reorganization and restructuring at the end of 2015.

During the restructuring, Allterco Robotics was established to separate the Internet of Things operations. The rest of the companies in the Group provide mobile value added services, micropayment solutions as well as mobile marketing and notification.

The Group is licensed to operate 0900 short numbers in Bulgaria until 2024 as well as to be a service based operator in the markets it operates, e.g. Singapore.



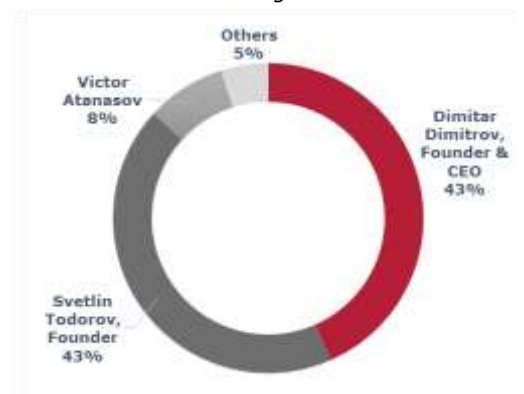
SHAREHOLDERS’ SRUCTURE

Allterco’s share capital pre-IPO is BGN 13.5m distributed in 13.5 million outstanding shares with a nominal value of BGN 1 per share.

Outstanding shares: 13 500 000

Founders Dimitar Dimitrov and Svetlin Todorov are key shareholders with equal stakes of 43.4% pre-IPO. The rest of the shareholders are also key operating managers as well as minor investors in the Group.

No lock up has been prescribed by the IPO documentation. However, CEO Dimitar Dimitrov announced that post IPO all key managers who are also shareholders will sign a 3-year lock up agreement.



POTENTIAL CATALYSTS

GUARANTEED WEARABLES MARKETABILITY: The Groups unique access to telecoms as well as business model of selling its IoT gadgets with SIM cards, provides a strong competitive advantage for Allterco’s IoT products. The telecoms are a guaranteed distribution channel thus exponential growth eminent in the short to mid-term as telecoms are hungry for new channels of keeping customers.

NEW MARKETS AND FLEXIBLE ORGANIZATION: Tapping fast on new markets e.g. Indonesia and flexible organization to offset the continuous telecom regulation changes that entail constant product and solutions development.

SECTOR OVERVIEW

THE TELECOM INDUSTRY

Over the first decade of the century, the telecommunication industry has witnessed exponential growth in all aspects – from growth in unique users to the number of SIM cards sold all over the globe. However, pace has considerably slowed down with average revenue per user going down, especially in developed countries. Accordingly, growth is expected to remain subdued at a 3% and less CAGR by 2020.

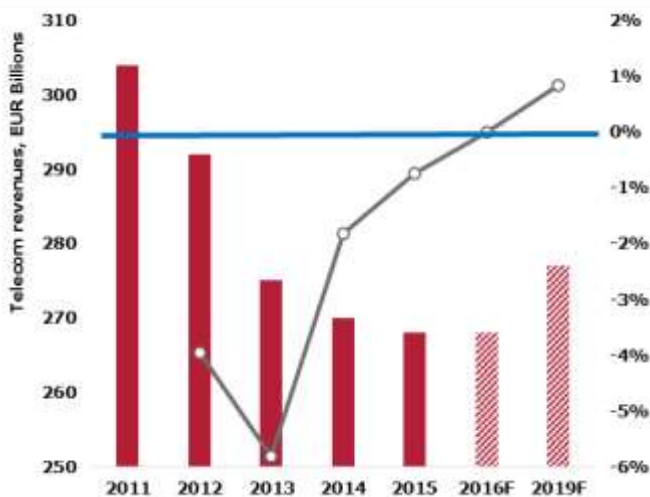
3% and less CAGR expected for the global telecom market

Major factor for this deceleration has also been the advance of smart technologies – smart phones, tables, watches, etc. as well as mobile applications like Viber, Skype, ooVoo, WhatsApp, etc. The latter allows users to communicate only via a Wi Fi connection thus surpass traditional telecom services.

Yet, the advance of smart technologies has opened an immense room for the so called Internet of Things or devices connected to the internet. It has been referred by analyst as the next Industrial Revolution with IoT devices tripling in a matter of only five years. Various analysts, including from McKinsey&Company, expect the number of connected to the internet devices to triple from 10bn in 2015 to 25-30bn in 2020 or 15-20% CAGR.

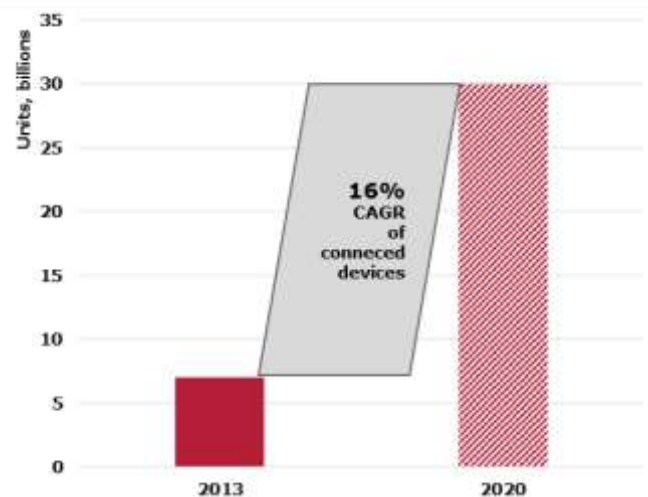
15-20% CAGR expected in IoT

Exhibit 3: Telecom industry stagnating with negative growth over the past few years.....



Source: Statista

Exhibit 4: ... expecting the Internet of Things revolution to add fuel with double digit growth in connected devices



Source: Business Insider, McKinsey&Company

FINANCIAL ANALYSIS AND VALUATION

ALLTERCO'S MARKET PRESENCE

Allterco provides a full range mobile value added services (MVAS) in seven countries on three continents.

7% CAGR over the last 3 years

Bulgaria is the biggest market for the Company with 40%+ of revenues over the last three years based on comparable data after the major 2015 reorganization. Southeast Asia countries like Singapore and Malaysia are second biggest market for the Group.

Telecoms are the Group's key clients and partners. In Bulgaria, Allterco partners with all the three telecoms -- Mobiltel (part of Telecom Austria), Telenor (part of Norwegian Telenor Group) and Vivacom. Other clients include most of the Bulgarian banks, numerous e-commerce, media and entertainment providers, retailers, NGO, etc.

In Singapore, Allterco operates under a license with Singtel a key client. From Singapore, the Group taps on other markets in the region like Malaysia with plans to enter Thailand and Indonesia.

The Group's key operations are in the micropayments and mobile notification services. It offers technical connectivity to clients by selling the usage of a particular short number e.g. "0900 xxx xxx" in Bulgaria, through which the client's users can make small mobile payments (e.g. pay via SMS for parking, donate for charity or extend the publication of an online ad). The Group also sells various SMS notification services to numerous clients e.g. to banks for the latter to notify users for an upcoming down payment on a loan, etc.

IoT products to offer fresh growth potential if properly marketed

However, payouts for technical connectivity have been in decline as continuous telecommunication regulations have squeezed out margins considerably over the last decade. Telecoms have been fighting to find both top line growth and better margins on huge competition and ever-growing CAPEX needs.

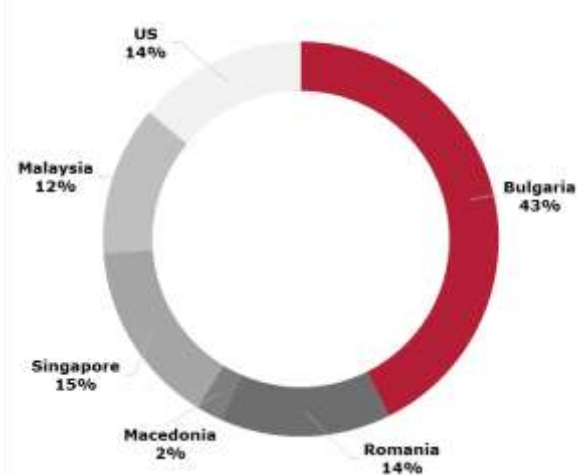
Accordingly, Allterco diversified its operations into the Internet of Things to both tap on a new growth and sustain excellent telecom relations. The Company is developing different wearables and automation devices to market via telecoms. Allterco to offer mostly SIM card connectivity devices to sustain its competitive advantage with close telecom relationship. Accordingly, on the one hand, it has a guaranteed sales channel for its IoT devices. On the other, its partnering telecoms have another product to bundle with basic telecommunication services.

MyKi watch already outperforming

The Company's first product is a kid's smart watch MyKi equipped with a SIM card and a GPS which allows parents to track and talk to their kids at any moment. The product has been on the market since December 2016 delivering BGN 260K sales in H1'16. For 8M16 management announced it has already presold in Bulgaria more than its initial FY16 estimate of 10 000+ MyKi watches. It works on offering the watch shortly in Serbia, Macedonia and Romania.

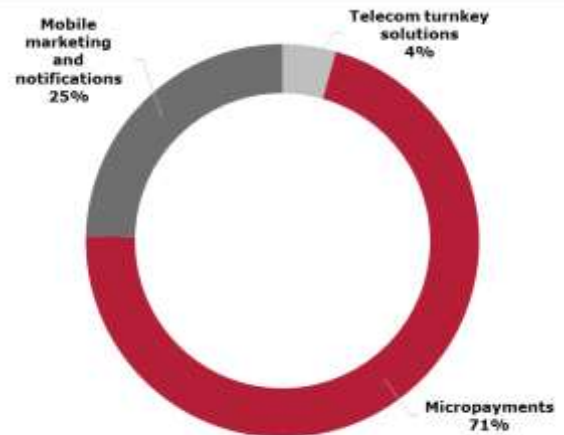
Allterco's IoT pipeline includes also a home automation system- She, which integrates temperature, light, humidity and air purity sensors. It is also equipped with 3G module, Wi-Fi, IR and RF transmitters and to allow home control via the phone or online. Other wearables for pets and elderly people are in the pipeline as well as car and other home devices.

Exhibit 5: Bulgaria takes up 43% of sales in 2015 following by Southeastern Asia operations



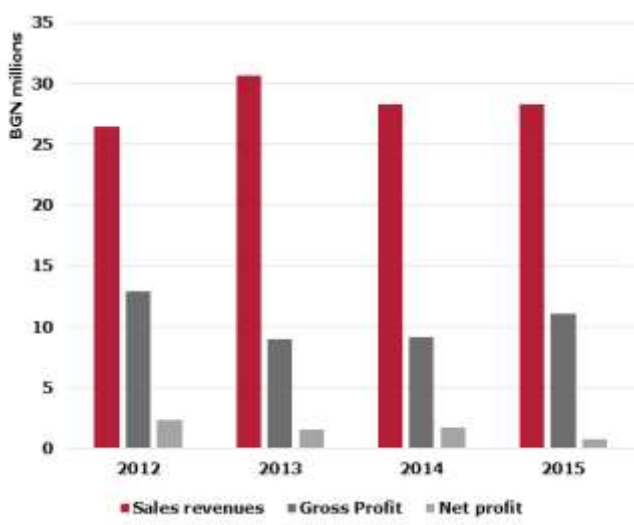
Source: Company data; FY2015

Exhibit 6: Micropayments (SMS payments and short number solutions), taking up 70%+ of the top line



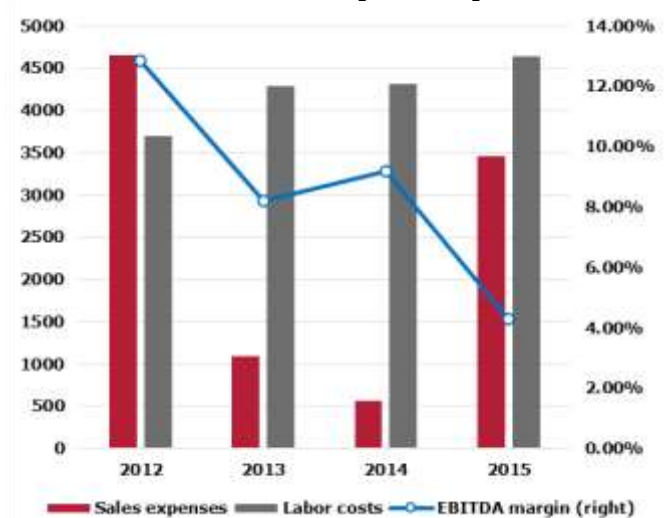
Source: Company data; FY2015

Exhibit 7: Profitability has been shrinking...



Source: Company data

Exhibit 8: ...on volatile advertising and rising labor costs



Source: Company data

FINANCIAL PERFORMANCE ANALYSIS

Allterco's niches MVAS operations delivered negative top line growth in 2014 and 2015 as payouts on MVAS are squeezing and telecom regulations are continuously changing. Accordingly, the Group's comparable top line growth slashed from positive to negative with overall three year average growth of 7.5%.

Negative recent top line performance

On the one hand, profitability slashed from higher single digits to lower single digits as payouts to clients and premium number fees, part of Cost of Goods Sold, remained considerable part of costs. Their average three year share of revenues remains 60%+. Sales and marketing costs a.k.a. advertising costs were also volatile to compensate for volatile top line.

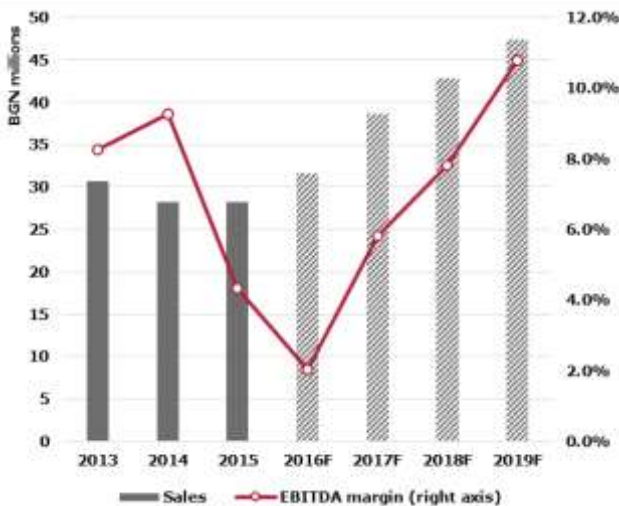
Labors costs, on the other hand, also advanced over the last three years and are expected to continue so to help support ongoing IoT business line development. Management expects labor costs to advance steady in 2016 and 2017 on adding new software developers and IT design specialists keep up with IoT expansion plans.

However, the IoT business line to add considerable gross and operating margin potential as production costs are approximately 3x below wholesale device price. Allterco's management expects operating margins to reach lower double digit numbers by 2020, mainly on growing IoT.

Allterco's specific business model of being the "middle man" in mobile communication and sms transactions entails unique balance sheet stance. The Group's consolidated assets consist mostly of receivables (c.50% of assets) on mobile value added services rendered and intangible (45% of assets).

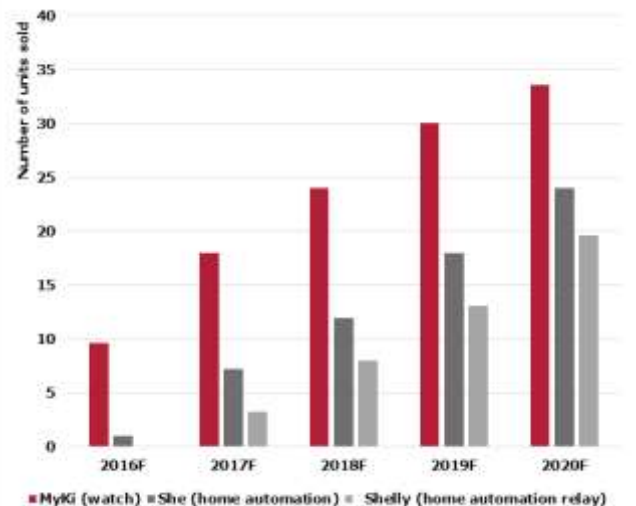
All intangibles are reputation booked on a couple of noncash capital contributions via founders' share transfer in subsidiaries. In FY 2015, reputation surged from BGN 5.8m to BGN 15.5m due to the Group's 2015 major reorganization and the transfer of management and founders' shares in the Singapore subsidiary into the capital of the holding company Allterco. We have reviewed the capital contribution valuation and are on the lookout for potential reputation revaluation as Singapore's subsidiary financial performance has deteriorated since 2014. Management does not expect any write offs due to restructuring comparability and expected rebound in the South East Asian operations.

Exhibit 17: Management expects IoT segment to drive the top and the bottom line



Source: Allterco expectations

Exhibit 18: ...with kids smart watch and home automation devices on the lead



Source: Allterco expectations

VALUATION OF ALLTERCO

To arrive at a fair value to a minority shareholders in Allterco we value each of the two major business lines of the Group – MVAS and IoT, separately.

We base our Sum of the Parts valuation on an equally weighted discounted cash flow and peer valuation for the MVAS operations and a comparable transactions valuation for the new IoT operations.

To arrive at the MVAS operations valuation we take management's top line estimates as well as CAPEX and working capital needs. We adjust the top line numbers for the IoT operations performance expectations. We also adjust the expected profitability margins to extract a normalized MVAS operations profitability. Accordingly, we expect EBIT margins to remain subdued in 2016 and 2017 as the Group is overcoming regulatory

changes on its major markets as well as adding personnel to services its expanding sales and design team. We expect EBIT margins to grow to a normalized 4% in 2018-2020.

We also rely on a median EV/EBITDA multiple for direct MVAS peers as well as global telecom sector valuations to value Allterco's tradition operations compared to overall telecom market development.

For the IoT business line, we use a comparable transactions valuation model. Allterco's IoT operation is basically a startup in what has come to be known as hardware and wearables segment of the IT market. Numerous startups in this segment have been established in Bulgaria over the last three years.

Accordingly, vibrant local startup ecosystem with a couple of specialized startup and VC investors give us the comfort to apply a comparable transaction model to Allterco's IoT operations. Average market valuations for IoT and hardware startups in Bulgaria without and with revenues is in the range of BGN 3m to BGN 6m, respectively, for minority stakes ranging from 10% to 40% and investment tickets in the BGN 100-600k range.

A direct peer to Allterco Robotics is Melissa Climate air-conditioning controller developer. The latter raised 600K in two investment rounds for 40% of the company in 2015 when it already had a product but sales were yet to pick up. This entailed a BGN 3m valuation for Melissa. With a product already on the market and sales picking up we are comfortable to apply the upper valuation range to Allterco Robotics a.k.a BGN 6m.

Finally, we apply a 10% liquidity discount to our fair value estimate due to the lower free shares Allterco offers to float on the market.

Thus, we arrive at a BGN 1.31 per share intrinsic value per share for the Group. We also provide a sensitivity analysis to our valuation on changes in our cost of equity estimate as well as on management's top line expectations fulfillment.

ALLTERCO MVAS OPERATIONS VALUTAION

('000 BGN)	2014	2015	2016F	2017F	2018F	2019F	2020F	2021F	Justification
Revenue	28 575	28 508	30 248	34 741	36 254	37 810	39 383	39 580	<< Management estimate 2016-2020 adjusted for IoT operations, Elana assumption 2021
<i>Sales growth</i>	<i>-7.43%</i>	<i>-0.23%</i>	<i>6.10%</i>	<i>14.85%</i>	<i>4.36%</i>	<i>4.29%</i>	<i>4.16%</i>	<i>0.50%</i>	
EBITDA	2 624	1 227	605	1 390	2 175	2 269	2 363	1 583	
<i>EBITDA margin</i>	<i>9.18%</i>	<i>4.30%</i>	<i>2.00%</i>	<i>4.00%</i>	<i>6.00%</i>	<i>6.00%</i>	<i>6.00%</i>	<i>4.00%</i>	<< Elana assumption
Net Profit	1 962	705	302	695	1 450	1 512	1 575	7 92	
<i>Net Profit margin</i>	<i>6.87%</i>	<i>2.47%</i>	<i>1.00%</i>	<i>2.00%</i>	<i>4.00%</i>	<i>4.00%</i>	<i>4.00%</i>	<i>2.00%</i>	<< Elana assumption
Plus: Depreciation	296	247	364	421	405	406	379	0	
Less: NWC	-1072	613	553	-1147	-409	-221	-587	-362	
Less: CAPEX	-19	-711	-763	-671	-441	-400	-423	-423	<< Management estimate 2016-2020, Elana assumption 2021
Plus: Net borrowing	0	0	0	0	0	0	0	0	
Free cash flow to Equity (FCFE)	3 349	1 050	876	2 934	2 705	2 539	2 964	1 937	
Terminal value							13 465		
Discount factor			0.891	0.794	0.708	0.630	0.562		
PV FCFE			781	2 330	1 915	1 602	1666		
PV TV			7 569						
PV Equity ('000 BGN)			15 863						

Peer Comparison	
Median EV/EBITDA multiple	6.7x
Average Allterco thee-year EBITDA, '000 BGN	2 129
Enterprise Value, '000 BGN	14 262
Less Interest Bearing Debt, FY 2015	323
Add Cash, FY2015	1 937
Fair Value ('000 BGN)	15 876

COST OF EQUITY

Cost of Equity Estimation

A Risk-free rate	10-year Bulgarian government bond yield	2.00%
B Beta	NYU Sterns research estimate , adjusted for leverage differences	1.32
C Equity risk premium	NYU Sterns research estimate	7.75%
E Cost of equity	E=A+B*C	12.21%

SUM-OF-THE-PARTS

Allterco Segment	Fair Value, '000 BGN	Valuation Method
Allterco (MVAS Operations)	15 870	DCF, Price multiples
Allterco Robotics (IoT Operations)	6 000	Comparable Transactions
Allterco Group Value	21 870	
Liquidity discount	10%	
Number of shares outstanding (post IPO)	15 000	
Value per share	1.31	

SENSITIVITY ANALYSIS

MANAGEMENT FORECASTS DISCOUNT

	70%	80%	90%	100%	110%	120%	130%
DISCOUNT RATE							
10.21%	0.98	1.12	1.26	1.40	1.54	1.68	1.82
11.21%	0.95	1.08	1.22	1.35	1.49	1.62	1.76
12.21%	0.92	1.05	1.18	1.31	1.44	1.57	1.71
13.21%	0.89	1.02	1.15	1.28	1.41	1.53	1.66
14.21%	0.87	1.00	1.12	1.25	1.37	1.50	1.62

PEER COMPARISON

Direct pers in Mobile value added services								
Company	Ticker	Country	Market Cap (mEUR)	P/E	P/B	P/S	EV/EBITDA	EV/EBIT
			Current	Current	Current	Current	TTM	TTM
Acotel Group	ACO IM	Italy	21	n/a	2.3	0.88	n/a	n/a
Cliq Digital	CLIQ GR	Germany	20	14.78	0.49	0.36	1.51	10.82
Eservgloval	ASV AU	Australia	57	n/a	2	1.65	n/a	n/a
Evolving Systems	EVOL US	USA	47	13.39	1.81	2.07	9.39	10.8
Hipay Group	HIPAY FR	France	51	n/a	0.94	2.07	11.97	n/a
Imimobile	IMO LN	UK	117	24.51	2.43	1.36	8.97	14.08
Onmobile Global	ONMB IN	India	154	n/a	1.96	1.46	6.64	100+
Streamwide	ALSTW FP	France	15	251	1.08	1.76	4.32	n/a
Yoc	YOC GR	Germany	14	11.47	1.81	1.34	4.63	10.20
Mean			47.4	14.78	1.81	1.46	6.64	10.81
Median			55.13	63.03	1.65	1.44	6.78	11.47

Source: Bloomberg

Telecoms (Global)								
Company	Ticker	Country	Market Cap (mEUR)	P/E	P/B	P/S	EV/EBITDA	EV/EBIT
			Current	Current	Current	Current	TTM	TTM
Telekom Austria	TKA AV	Austria	3 395	9.52	1.36	0.83	4.31	10.85
Megafon	MFON RM	Russia	5 435	10.61	2.80	1.15	4.52	8.39
Turkcell Iletisim Hizmet	TCELL TI	Turkey	6 336	9.84	1.41	1.63	5.57	9.04
Freenet	FNTN GR	Germany	3 237	15.09	2.65	1.02	11.86	15.70
Vimpelcom	VIP US	Netherlands	5 272	n/a	1.33	0.65	3.80	8.31
Telenor	TEL NO	Norway	22 074	137.53	3.52	1.53	5.46	10.57
Mobile Telesystems	MTSS RM	Russia	6 347	9.80	3.16	0.99	4.34	8.45
Koninklijke Kpn	KPN NA	Netherlands	12 012	23.44	3.49	1.76	8.21	25.04
Telia Co	TELIA SS	Sweden	16 868	18.50	1.82	1.80	8.29	14.41
Telecom Italia	TIT IM	Italy	12 863	23.51	0.71	0.74	5.62	11.24
Drillisch	DRI GR	Germany	2 225	70.33	8.11	3.10	21.28	49.85
Orange	ORA FP	France	36 203	15.29	1.15	0.90	5.71	13.42
Iliad	ILD FP	France	10 458	28.85	3.75	2.29	7.80	18.04
Tele2	TEL2B SS	Sweden	3 477	39.39	1.90	1.24	9.82	20.22
Turk Telekomunikasyon	TTKOM TI	Turkey	5 707	16.20	4.18	1.27	6.06	11.75
Elisa	ELISA FH	Finland	5 289	20.39	6.11	3.19	11.98	19.69
Proximus	PROX BB	Belgium	8 637	18.51	3.13	1.39	6.92	15.28
Pharol Sgps	PHR PL	Portugal	226	n/a	0.87	n/a	n/a	n/a
Tdc	TDC DC	Denmark	4 109	n/a	1.42	1.30	5.59	12.14
Rostelecom	RTKM RM	Russia	2 943	17.29	0.87	0.60	4.47	12.29
Swisscom	SCMN VX	Switzerland	21 268	16.97	5.45	1.98	7.64	14.77
Talktalk Telecom Group	TALK LN	Britain	2 245	841.92	8.79	1.08	11.40	22.97
Makedonski Telekom Skopje	TEL MS	Macedonia	417	15.67	1.64	2.17	5.77	13.94
BH Telecom	BHTSR BT	Bosnia-Herze.	485	14.78	0.94	1.81	n/a	8.52
Turkcell Iletisim Hizmet	TCELL TI	Turkey	6 340	9.84	1.41	1.63	5.57	9.04
Megafon	MFON RM	Russia	5 448	10.60	2.80	1.15	4.52	8.39
Mobile Telesystems	MTSS RM	Russia	6 357	9.78	3.16	0.99	4.34	8.45
Telekom Srpske Ad Banja Luka	TLKMRA BK	Bosnia-Herze.	256	8.35	0.76	1.08	3.51	8.44
Hrvatski Telekom	HTRA CZ	Croatia	1 771	14.02	1.16	1.90	3.08	6.62
Sistema Pjsc	AFKS RM	Russia	2 811	n/a	1.10	0.27	3.90	9.44
O2 Czech Republic	TELEC CP	Czech	2 538	13.10	4.44	1.86	6.80	10.36
Telekom Slovenije	TLSG SV	Slovenia	467	7.17	0.67	0.65	4.21	18.78
Mean			5 281	15.48	1.86	1.27	5.61	11.75
Median			6 985	51.65	2.69	1.42	6.74	14.01

Source: Bloomberg

FINANCIAL DATA

Income Statement	2013	2014	2015	H1 2015	H1 2016
Sales	30 646	28 272	28 279	12 253	14 879
<i>Growht y/y</i>		-7.75%	0.02%		21.43%
COGS	20 589	19 119	17 253	8 535	11 240
Gross profit	10 057	9 153	11 026	3 718	3 639
	32.8%	32.4%	39.0%	30.3%	24.5%
Other revenues	222	303	229	77	79
Administrative expenses	-1 269	-1 389	-1 724	-1 117	-851
Advertising costs	-1 049	-478	-185	-47	-33
Other operating expenses	-1 198	-651	-3 479	-192	-189
Remuneration costs	-4 228	-4 314	-4 640	-2 399	-2 320
EBITDA	2 535	2 624	1 227	40	325
<i>EBITDA margin</i>	8.27%	9.28%	4.34%	0.33%	2.18%
Amortization	-241	-296	-247	-135	-108
EBIT	2 294	2 328	980	-95	217
<i>EBIT margin</i>	7.49%	8.23%	3.47%	-0.78%	1.46%
Financial income/expense					
Financial expense	-160	-100	-118	-4	-31
Financial income	0	0	0		
EBT	2 134	2 228	862	-99	186
Taxes	-187	-266	-157	-80	-114
Net Profit	1 947	1 962	705	-179	72
<i>EBIT margin</i>	6.4%	6.9%	2.5%	-1.5%	0.5%

Source: Company IFRS financial statements, audited and comparable post 2015 reorganization

Balance Sheet	2013	2014	2015	H1 2015	H1 2016
Assets					
Non Current Assets					
Property, plant & equipment	381	333	956	643	1 190
Intangible assets	436	251	92	191	89
Investments in subsidiaries	44	0	0		
Reputation	5 829	5 842	15 457	5 791	15 465
Deferred taxes	0	0	0		
Loans to subsidiaries	47	0	0	19	0
Prepaid services	14	0	0		
Other receivables	0	0	70		
Total Non Current Assets	6 751	6 426	16 575	6 644	16 744
Current Assets					
Inventories	0	0	92	0	168
Current part of loans to subsidiaries	5	5	0		
Loans extended	38	10	32	10	33
Related party receivables	68	249	0	492	0
Account receivables	9 724	11 681	15 350	9 639	10 709
Other receivables	430	194	177	84	411
Cash and cash equivalent	2 238	2 539	1 937	1 115	1 785
Prepaid services	62	55	44	134	466
Total Current Assets	12 565	14 733	17 632	11 474	13 572
Total Assets	19 316	21 159	34 207	18 118	30 316
Liabilities and Shareholders Equity					
Non current liabilities					
Financial leasing	140	113	70	86	43
Other liabilities	0	0	903	0	903
Deferred taxes	15	25	35	26	36
Total Non Current Liabilities	155	138	1 008	112	982
Current Liabilities					
Related party debt	0	17	0		
Current portion of financial leasing	64	59	46	52	49
Bank debt	0	0	207	0	295
Related party liabilities	545	1 913	0	1 726	0
Account Payables	7 423	6 950	11 929	5 789	7 847
Employee liabilities	63	66	80	48	110
Pension liabilities	57	65	58	52	62
Tax liabilities	697	589	411	215	377
Other liabilities	0	484	843	215	795
Total Current Liabilities	8 849	10 143	13 574	8 097	9 535
Total Liabilities	9 004	10 281	14 582	8 209	10 517
Shareholders Equity					
Share capital	5 488	5 488	13 500	5 488	13 500
Retained Earnings	3 728	3 902	5 058	3 047	5 127
Reserves	142	182	215	180	263
Other reserves	0	0	668	0	668
Currency translation differences	-243	-49	129	-97	196
Shareholders' Equity	9 115	9 523	19 570	8 618	19 754
Minority Interest	1 197	1 355	55	1 291	45
Total Shareholders' Equity	10 312	10 878	19 625	9 909	19 799
Total Liabilities and Shareholders' Equity	19 316	21 159	34 207	18 118	30 316

Source: Company IFRS financial statements, audited and comparable post 2015 reorganization

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SELL	Target price is more than 10% below the current quotes

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Q2 2016 Recommendation Review			Market Maker Services
Recommendation	#	Share	
BUY	9	47%	SKK BU
HOLD	7	37%	
SELL	0	0%	
Under review	3	16%	

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